Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

JUL 1 5 1996

Federal Communications Commission
Office of Societary

In the Matter of)	y
)	
Implementation of the)	
Pay Telephone Reclassification)	CC Docket No. 96-128
and Compensation Provisions of the)	
Telecommunications Act of 1996)	

REPLY COMMENTS OF THE

NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Reply

Comments in response to the comments filed on July 1, 1996, in the above captioned matter. The

Commission is examining the provisions of the Telecommunications Act of 1996 ("Act")¹ which

direct the Commission to reform rules relating to pay telephone reclassification and

compensation.² NTCA is a national association of approximately 500 local exchange carriers

("LECs"). These LECs provide telecommunications services to end users and interexchange

carriers throughout rural America.

¹ Pub. L. No. 104-104.

² Notice of Proposed Rulemaking, FCC 96-254, released by the Commission on June 6, 1996, in the proceeding captioned above ("NPRM"). Unless otherwise indicated, citations herein refer to comments filed on July 1, 1996, in the proceeding captioned above.

I. NTCA RECOMMENDS THAT PAYPHONE COSTS BE RECOVERED THROUGH A NON-REGULATED PER CALL COMPENSATION RATE.

Section 276 of the Act mandates that all payphone providers be "fairly compensated for each and every completed intrastate and interstate call ..."3 In its comments, NTCA responded to the Commission's proposal to treat incumbent LEC payphones as unregulated, detariffed customer premises equipment (CPE), agreeing that the Commission should require the LECs as well as the private payphone owners (PPOs) to apply the subscriber line charge to the nonregulated payphone providers. The Commission proposed to prescribe standards for determining fair compensation for all access code calls, subscriber 800 and other toll-free number calls and debit card calls.⁵ NTCA concurred with the Commission's tentative conclusion to adopt a nationwide rate for all dial-around calls originated by payphones in order to ensure fair compensation under Section 276 of the Act.⁶ NTCA submitted that as the industry already relies on what is, in effect, a nationwide surrogate rate, continued use of this type of nationwide price surrogate would not be disruptive and would ensure an appropriate per call compensation. In addition, NTCA noted that a nationwide surrogate rate would limit the administrative burden placed on smaller companies, reminding the Commission that the Act's mandate should not produce any significant administrative burdens for LEC payphone providers.⁷

³ 47 U.S.C. § 276(b)(1)(A).

⁴ See NTCA Comments at 4.

⁵ NPRM at para. 16.

⁶ NTCA at 2.

⁷ NTCA at 2-3.

With regard to the development of the appropriate, cost-based nationwide surrogate, the NPRM asked "whether some measure of generic or industry-wide costs is available," or whether some other existing rates would provide a reasonable surrogate for payphone compensation. In the NPRM, the Commission also asked for comment on how compensation levels should be permitted to change in the future, and whether some cost index or price cap system would properly ensure that payphone compensation rates adequately reflect changes in costs over time.

While many commenting parties addressed the administration of a per-call compensation plan for payphones, no substantial cost data or generic measure by which the Commission could properly develop and prescribe an appropriate nationwide, per-call compensation rate was provided. Further, no commenting party offered a method by which compensation levels may be permitted to change in the future to reflect changes in costs over time.

Due to the lack of comment on these matters, and in light of the absence of an identifiable, appropriate nationwide rate, NTCA recommends that the Commission handle the portion of telephone revenue requirement that is removed from access as deregulated CPE according to the cost allocation and compensation rules under Part 64.¹⁰ The Commission should allow for the recovery of costs through a non-regulated per-call compensation rate.

It is critical that compensation rates be set at levels sufficient to recover all relevant costs incurred by the incumbent LECs. Cost recovery via this method will require various calculations of non-regulated per-call compensation rates for payphones. Smaller companies for which the

⁸ NPRM at para. 38.

⁹ *Id*.

¹⁰ 47 C.F.R. § 64.901.

development of per-call compensation rates presents a particular challenge should therefore be able to utilize the services offered by the National Exchange Carrier Association (NECA). NECA has extensive experience in calculating revenue requirements and computing rate levels on behalf of its members. Already equipped to perform such activities, NECA can use its available skills and resources to assist small and rural LECs in the removal of payphone revenue from existing access charges and in the development of per-call compensation rate calculations.

This solution will enable the Commission to ensure fair compensation for all payphone providers, yet also ensure that small telephone companies will not be forced to incur significant expense in the implementation of Section 276 of the Act. Moreover, the solution appropriately addresses the Commission's concern regarding how per-call compensation rates should change in the future in order to assure that compensation levels reflect expected changes in unit costs over time. It eliminates the potential for reliance on some not-yet-identified cost index or price cap system.

II. THE COMMISSION SHOULD NOT MANDATE THAT ALL LECS PROVIDE LOCAL COIN TRANSMISSION SERVICES TO PAYPHONE SERVICE PROVIDERS UNDER A TARIFFED OFFERING.

The Commission should be careful not to adopt prematurely provisions which could turn out to be counterproductive or needlessly burdensome to carriers, their customers, or both. In the NPRM, the Commission proposes to require incumbent LECs to provide payphone service providers all functionalities used in a LEC's delivery of payphone services, including central office coin services such as coin recognition and answer detection. NTCA emphasized in its comments that the Commission has not recognized that some small LECs are not equipped to provide all local coin transmission services.

The LECs not currently equipped to offer these services would be forced to make significant investments in switch upgrades if required to offer central office coin services under a tariffed offering.

Other commenting parties reflected the same concerns, and urged the Commission not to mandate the modification of switches simply so these small LECs can provide central office coin services. GVNW stressed that the offering of unbundled central office coin services is technically much more complex than other, non-coin telephone services. Moreover, this would be quite costly for the small LECs. "The FCC must consider in any ruling that [small LECs] often do not implement coin services in the same manner as the BOCs, and that, while there may be standardization of operations within a BOC, there is not a standardized method of operation among [small LECs]."

Teleport Communications Group, Inc. ("TCG") made a similar argument in its discussion of the Commission's proposal. While not opposed to the commission's tentative conclusion that network tracking methodologies should be made available to other payphone providers on an unbundled basis, TCG specifically requested that the Commission extend this obligation only to those LECs that *already* provide the service.

The Commission should clarify, however, that the proposed unbundling of tracking elements is limited to the call tracking capabilities of the incumbent LECs that currently provide central office coin services.¹³

¹¹ See GVNW Comments at 4-5.

¹² GVNW at 6.

¹³ See TCG Comments at 6.

If the Commission mandates a national standard for the offering of central office coin services, some small and rural LECs will be forced to upgrade facilities only to accommodate PPOs. "Such an increase in cost would not be justifiable from an economic standpoint." NTCA urges the Commission not to require LECs that are not currently equipped to offer central office coin services to upgrade facilities in order to provide these services under a tariffed offering.

III. PUBLIC INTEREST PAYPHONES SHOULD BE MAINTAINED AND SUPPORTED.

In the NPRM, the Commission addresses the issues raised by the statute as to whether public interest payphones should be maintained and, if so, how they should be supported. The commenters generally argue that such payphones should continue to be provided. NTCA's comments also highlighted the fact that several states mandate the provision of payphones in some public places that may not otherwise be provided with payphone service.¹⁵

Whether provided by rural companies operating in areas where there is an extremely low population density, or in other areas where the cost to provide the mandated payphone exceeds its revenue, there is a need for an alternative cost recovery mechanism. Such a funding mechanism is required to be "fair and equitable." 16

¹⁴ GVNW at 7.

New York, Minnesota, Montana and Florida were mentioned as examples of states which require LECs to provide at least one payphone, prominently located and properly maintained and equipped, for each wire center. NTCA at 6-7. See also, Comments of the Idaho Public Utilities Commission: "Currently public interest payphones are provided by the LEC under Idaho Public Utilities Commission mandate. Often these phones generate little revenue but are the only means of public telephone communications for miles." Idaho Public Utilities Commission at 1.

¹⁶ 47 U.S.C. § 276(b)(2).

Because the issue of where such payphones are necessary is very location specific, NTCA continues to support the criteria of state mandates, either to satisfy some minimum per exchange provision or a further public policy objective. NTCA believes that the states are in the best position to identify and understand which areas require assistance for the provision of public interest payphones.¹⁷

Cost recovery for the provision of such payphones could be administered and funded through either a separate fund, such as the TRS, ¹⁸ or by the states. Either way, such funds could be efficiently administered by the National Carrier Exchange Association (NECA). ¹⁹

IV. CONCLUSION

Consistent with the discussion above, the Commission should allow for the recovery of payphone costs through a non-regulated, per-call compensation rate. NTCA recommends that NECA's services and expertise be utilized by smaller carriers in the calculation of these per-call rates. The Commission should not mandate that all LECs provide a prescribed set of local coin transmission services under a tariffed offering, due to the technical and economic burden that may

¹⁷ Several commenters stated support for state administered programs. See, for example, Comments of Puerto Rico Telephone Company at 4. See also, Comments of the New York City Department of Information Technology and Telecommunications at 4; Comments of Southwestern Bell Telephone Company at 8; and Comments of the American Public Communications Council at 46-47.

¹⁸ NPRM at n. 211.

¹⁹ NECA at 7.

be imposed on some carriers. Finally, NTCA reiterates that public interest payphones should be defined as those mandated by the states and should be supported through either a national or state funding mechanism.

Respectfully submitted,

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July 15, 1996

CERTIFICATE OF SERVICE

I, Rita H. Bolden, certify that a copy of the foregoing Reply Comments of the National Telephone Cooperative Association in CC Docket No 96-128 was served on this 15th day of July 1996, by first-class, U.S. Mail, postage prepaid, to those who are required to be served under the NPRM and to the following persons on the attached list.

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